

Message Text

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INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 CEA-01 STR-07
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/131 W

-----055920 101357Z /45

P R 101216Z MAR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 0111
INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 1 OF 3 NEW DELHI 3850

E.O. 11652: GDS
TAGS: ETRD, EAID, UR
SUBJECT: INDO-SOVIET JOINT COMMISSION: A LARGE
BASKET OF OLD BUSINESS

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SUMMARY: A HIGH-RANKING SOVIET DELEGATION DISCUSSED A LARGE NUMBER OF COLLABORATIVE PROJECTS IN NEW DELHI ON THE OCCASION OF THE FOURTH MEETING OF THE INDO-SOVIET JOINT ECONOMIC COMMISSION MARCH 1-6. OFFICIAL SPOKESMEN DESCRIBED THE RESULTS OF THE MEETING AS DRAMATIC AND THE PRESS INTERPRETED THE SOVIET POSITION AS "AGREEMENTS" TO PROVIDE WIDESPREAD AID. THE TALKS HAD A POLITICAL SIGNIFICANCE IN GIVING SOME PRACTICAL CONTENT TO THE DESAI GOVERNMENT'S POLICY OF MAINTAINING A CLOSE ECONOMIC RELATIONSHIP WITH THE SOVIET UNION. BUT THERE WERE NO BREAKTHROUGHS IN REALITY. SOVIET TECHNICAL AND FINANCIAL ASSISTANCE CONTINUES TO BE RESTRICTED TO METALLURGY AND MINING, AND IS NOT RESPONSIVE GOVERNMENT'S GOALS OF DEVELOPING INDIA'S POOR RURAL POPULATION. END SUMMARY.

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1. THE INDO-SOVIET JOINT COMMISSION ON ECONOMIC, SCIENTIFIC AND TECHNICAL COOPERATION HELD ITS FOURTH SESSION IN NEW DELHI BETWEEN MARCH 1 AND MARCH 6. THE 17-MEMBER SOVIET DELE-

GATION WAS HEADED BY DEPUTY PRIME MINISTER I.V. ARKHIPOV AND INCLUDED A HANDFUL OF DEPUTY MINISTERS. MANY OF THE SOVIETS HAD ARRIVED ON FEBRUARY 23 TO BEGIN HIGH-LEVEL TALKS THAT EVENTUALLY BROKE UP INTO SEVEN SUB-GROUPS. THE JOINT COMMISSION MET ONLY ON THE OPENING DAY AND AGAIN ON MARCH 6 TO SIGN A PROTOCOL. ARKHIPOV HIMSELF CAME TO INDIA EARLY IN ORDER TO ATTEND THE INAUGURATION OF THE THIRD BLAST FURNACE AT THE BOKARO STEEL MILL. WHILE HERE HE HELD MEETINGS WITH PRIME MINISTER DESAI AND THE MINISTERS OF PETROLEUM, CHEMICALS AND FERTILIZERS, INDUSTRY, AND STEEL AND MINES.

2. BOTH SIDES PUT THE BEST FACE ON THE RESULTS OF THE TALKS. FOREIGN MINISTER VAJPAYEE, WHO HEADED THE INDIAN DELEGATION TO THE JOINT COMMISSION, CALLED THE MEETING "A MOMENTOUS BEGINNING." ARKHIPOV SPOKE OF A "QUALITATIVELY NEW STAGE" IN THEIR BILATERAL ECONOMIC RELATIONS. WHILE THE PRESS TENDED TO REFER TO THE RESULTS OF THE TALKS AS "AGREEMENTS," THE TEXT OF THE PRESS NOTE WAS CAREFUL IN SPEAKING OF TOPICS BEING EXAMINED, PROGRESS BEING MADE, AND EXPLORING POSSIBILITIES.

3. THE FOLLOWING ARE THE KEY RESULTS OF THE MEETINGS, AS IDENTIFIED IN THE GOVERNMENT PRESS RELEASE:

(A) BOKARO AND BHILAI STEEL PLANTS: "COMPLETE AGREEMENT WAS REACHED BETWEEN THE TWO SIDES ON ACTION TO BE TAKEN FOR TIMELY IMPLEMENTATION" OF THE EXPANSION PROJECTS FOR THESE TWO
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PLANTS. MORE SPECIFICS--INCLUDING THE QUESTION OF THE GREATER USE OF INDIAN OR THIRD COUNTRY EQUIPMENT AND TECHNOLOGY--WERE NOT REVEALED. SECONDLY, "ENERGETIC STEPS WOULD BE TAKEN FOR THE MODERNIZATION OF TECHNOLOGY AND PRODUCTION PROCESSES" AT THE TWO PLANTS, WHICH WOULD LEAD TO CAPACITY EXPANSION. THE INDIAN SIDE TOLD THE PRESS THAT THIS TECHNOLOGY WOULD BE AVAILABLE FOR APPLICATION TO OTHER INDIAN STEEL PLANTS.

(B) ALUMINA PLANT: "PROGRESS WAS MADE" WITH REGARD TO THE PROPOSED PLANT. NEW DELHI 3727 REPORTS ON THE CONTRACTS SIGNED BETWEEN BALCO AND THE RUSSIANS FOR A DETAILED FEASIBILITY STUDY.

(C) EAST COAST BLAST FURNACE COMPLEX: HERE TOO "PROGRESS WAS MADE," BUT NO FURTHER DETAILS WERE PUBLISHED OFFICIALLY.

(D) OTHER SOVIET PROJECTS: COMPLETION OF THE MATHURA REFINERY, AND "OPERATION" OF THE HEAVY MACHINE BUILDING PLANT AT RANCHI AND THE HEAVY ELECTRICALS PLANT AT HARDWAR ALSO WERE LISTED AS PROJECTS ON WHICH "COMPLETE AGREEMENT WAS REACHED... ON ACTION TO BE TAKEN FOR TIMELY IMPLEMENTATION."

(E) NON-FERROUS METALLURGY: THE SOVIETS AGREED TO PROVIDE NEW TECHNOLOGY FOR THE PROCESSING OF POLY-METALLIC ORES AND TO "MAKE AN OFFER FOR PREPARING" A FEASIBILITY STUDY FOR THE PRODUCTION OF NICKEL FROM LIMONITIC ORES IN ORISSA. COOPERATION IN OTHER AREAS WAS "ENVISAGED." THE RUSSIANS AGREED TO ASSIST IN THE TRAINING OF SPECIALISTS AND THE SUPPLY OF EQUIPMENT FOR GEOLOGICAL INVESTIGATIONS. A WORKING GROUP WAS SET UP TO DISCUSS FURTHER AREAS OF COOPERATION.

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XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 CEA-01 STR-07
INT-05 OES-07 DOE-11 SOE-02 DOEE-00 SSO-00 /131 W
-----083811 120822Z /13/45

P R 101216Z MAR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 0112
INFO AMEMBASSY MOSCOW

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C O R R E C T E D C O P Y (PARA G. CORRECTED)

(F) THIRD COUNTRY PROJECTS: THE SUBJECT OF INDIAN PARTICIPATION IN SOVIET PROJECTS IN THIRD COUNTRIES "FIGURED PROMINENTLY" IN THE TALKS. THE TWO SIDES AGREED TO "ENSURE EARLY ACTION TO INVOLVE PARTICIPATION OF INDIAN ORGANIZATIONS IN THE SUPPLY OF EQUIPMENT AND IN DESIGNING, CONSTRUCTION AND ERECTION WORK.".\$

(G) LONG-TERM ECONOMIC PROGRAM: THE PRESS NOTE INTRODUCED ITS REPORT ON THE MEETING BY STATING: "THE WHOLE EXERCISE WAS DONE IN A PERSPECTIVE OF A LONG-TERM PROGRAM STRETCHING OVER THE NEXT 10-15 YEARS. THE DETAILS OF SUCH A PROGRAM ARE TO BE WORKED OUT IN 1978." THIS LED MUCH OF THE INDIAN PRESS TO DESCRIBE THE RESULTS OF THE MEETING AS "LONG-TERM AGREEMENTS" ON SOVIET AID TO INDIAN INDUSTRY. THE CALL FOR THE ELABORATION OF SUCH A LONG-TERM PROGRAM ALONG WITH PROSPECTS FOR THE ALUMINA PLANT, HAD BEEN THE ONLY SUBSTANTIVE ECONOMIC RESULT OF PRIME MINISTER DESAI'S VISIT TO MOSCOW LAST OCTOBER. THE

JOINT COMMISSION ANNOUNCED THAT A WORKING GROUP HAD BEEN SET UP TO PREPARE THIS PROGRAM, WHICH WOULD "KEEP IN VIEW THE FAR REACHING CHANGES THAT ARE TAKING PLACE IN THE ECONOMIES OF THE CONFIDENTIAL

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TWO COUNTRIES." AS PART OF THIS, A SEPARATE GROUP WOULD BEGIN WORK ON THE 1981-1985 LONG-TERM TRADE PLAN.

(H) COMPLEMENTARY INDUSTRIAL-PRODUCTION: THE TWO SIDES AGREED TO "EXPLORE THE POSSIBILITY" OF ENLARGING COOPERATION IN THE "COMPLEMENTARY PRODUCTION OF SELECTED ITEMS OF INDUSTRIAL OUTPUT FOR MUTUAL SUPPLIES." THIS VAGUE FORMULATION PRESUMABLY REFERS TO INDIA'S EARLIER GOALS OF "PRODUCTION COOPERATION" AIMED AT GREATER EXPORTS OF INDUSTRIAL GOODS TO THE SOVIET UNION.

(I) TROPO-SCATTER COMMUNICATION AGREEMENT: THE TWO SIDES CONCLUDED AGREEMENTS FOR THE IMPLEMENTATION OF THE 1977 PROTOCOL ON ESTABLISHING A NEARADIO COMMUNICATIONS SYSTEM BETWEEN THE TWO COUNTRIES.

4. ACCORDING TO LOCAL PRESS REPORTS, THE JOINT COMMISSION SESSION PRODUCED TWO OTHER AGREEMENTS:

(A) SUB-COMMISSION ON SCIENCE AND TECHNOLOGY: THE TWO GOVERNMENTS AGREED TO SPIN OFF A PERMANENT SUB-COMMISSION ON SCIENCE AND TECHNOLOGY. NO SUBSTANTIVE DISCUSSIONS IN THIS AREA WERE REPORTED.

(B) OIL EXPLORATION: THE SOVIETS REPORTEDLY AGREED TO ASSIST THE GOI IN ON-SHORE OIL EXPLORATION IN THE NORTHEASTERN STATE OF TRIPURA, USING NEW TECHNOLOGY.

5. SOME REPORTERS TOTTED UP THE :9 5 9* -)) 5#3 049'3:5 43*-ERRED TO IN THE PRESS RELEASE. THE TIMES OF INDIA THURSDAY HEADLINED ITS STORY ON JOINT COMMISSION RESULTS: "SOVIET AID FOR PLANTS INVOLVING RS. 1000 CRORE" (EQUIVALENT OF \$1.25 BILLION). THE ECONOMIC TIMES TWISTED THE FACTS EVEN MORE AND CONFIDENTIAL

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STATED IN AN EDITORIAL LAUDING THE RESULTS OF THE MEETING" "THE NEW PROJECTS NOW DECIDED UPON ARE LIKELY TO RAISE THE TOTAL VALUE OF SOVIET ASSISTANCE TO INDIA, WHICH STOOD AT RS. 2000 CRORE ON MARCH 31, 1977, TO APPROXIMATELY RS. 3000 CRORE."

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6. COMMENT: WHILE THE SCOPE OF THE INDO-SOVIET DISCUSSIONS OVER THE TWO WEEKS IS IMPRESSIVE, WE DO NOT SEE THAT THERE HAVE BEEN ANY STARTLING BREAKTHROUGHS OR SIGNIFICANT SHIFTS. IN GENERAL, THERE APPEARS TO HAVE BEEN SOME FORWARD MOTION ON PROJECTS WHICH HAVE BEEN UNDER CONSIDERATION OR IMPLEMENTATION FOR AT LEAST A YEAR OR MORE, AND THE FIELD OF COLLABORATION REMAINS LIMITED TO METALLURGICAL INDUSTRIES AND MINING.

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INT-05 OES-07 DOE-11 SOE-02 DOEE-00 SSO-00 NEAE-00
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P R 101216Z MAR 78
FM AMEMBASSY NEW DELHI
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7. THE SOVIETS HAVE, FOR EXAMPLE, BEEN INTERESTED IN THE EAST COAST ALUMINA PROJECT SINCE IT WAS FIRST PROPOSED TO THEM AT LEAST TWO YEARS AGO. CREDIT TERMS WERE UNDER DISCUSSION LAST YEAR (SEE 77 MOSCOW 15819), AND THE PROBLEM HAS LONG BEEN RECOGNIZED TO BE INDIAN FINANCING OF LOCAL COSTS. ACCORDING TO A GOI SOURCE, BALCO ITSELF WILL PAY FOR FEASIBILITY STUDY. THE GOI DECISION TO PROCEED WITH THE PROJECT IS AT LEAST A YEAR AWAY AND THE EXTENT OF SOVIET PARTICIPATION IS STILL UNDECIDED. (SOME PRESS REPORTS, APPARENTLY BASED ON AN OFFICIAL SOURCE, STATE THAT SOVIET FINANCING OF "LOCAL COSTS" COULD BE MET BY IMPORTS OF RUSSIAN CEMENT AND STRUCTURAL STEEL.)

8. AS FOR THE BLAST FURNACE, THIS PROJECT IS THE BRAIN-CHILD OF MINISTER OF STEEL AND MINES BIJU PATNAIK. WHEN IT WAS

GIVEN PUBLICITY LAST YEAR, THE PRESS REPORTED THAT PLANNING COMMISSION WAS OPPOSED TO INCLUDING THE PROJECT IN THE SIXTH FIVE YEAR PLAN. THE PLAN IS NOW IN THE LAST STAGES OF CLEARANCE AND ITS PUBLICATION WILL REVEAL WHETHER THE GOI ITSELF INTENDS TO PUSH AHEAD WITH THE PROPOSAL.

9. OTHER ITEMS ARE SIMILARLY NON-NEWS: AGREEMENT TO UP-CONFIDENTIAL

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GRADE THE EXISTING CAPACITY OF BOKARO AND BHILAI WITH NEW TECHNOLOGY WAS REACHED LAST SEPTEMBER (77 NEW DELHI 13088), IN THE WAKE OF THE GOI DECISION TO RELY LESS ON SOVIET AID IN THE EXPANSION PROJECTS. A GOI OFFICIAL POINTED OUT TO US THAT PREPARATIONS FOR NEW FIVE-YEAR TRADE AND PAYMENTS AGREEMENT ALWAYS BEGIN TWO TO THREE YEARS IN ADVANCE. AN ORIGINAL CONSIDERATION OF THE TROPOSCATTER COMMUNICATIONS SYSTEM BEGAN BEFORE 1975.

10. GIVEN THE APPARENT EFFORT TO BE COMPREHENSIVE, IT IS INTERESTING TO NOTE THAT NO MENTION HAS BEEN MADE OF SOVIET COLLABORATION IN THE MALANJKHAND COPPER PROJECT OR THE SEVERAL COAL DEVELOPMENT PROJECTS, WHICH HAVE BEEN THE SUBJECT OF AGREEMENTS IN THE PAST.

11. THAT LEAVES THE ATMOSPHERICS. THE DESAI GOVERNMENT HAS USED THE JOINT COMMISSION AS AN OCCASION TO REAFFIRM--IN RELATIVELY PRACTICAL TERMS--ITS DESIRE TO MAINTAIN A CLOSE COLLABORATIVE RELATIONSHIP WITH THE SOVIET UNION IN THE ECONOMIC SPHERE. WE BELIEVE THIS POLICY LIES BEHIND THE DECISION LAST YEAR TO UPGRADE THE CHAIRMANSHIP TO THE FOREIGN MINISTER LEVEL (WITH THE SOVIETS GOING EVEN ONE BETTER). THERE WERE PROTRACTED WORKING LEVEL TALKS AND SOME CONCRETE PROGRESS WAS PROBABLY MADE. THE PRESS COMMUNIQUE WAS PURPOSEFULLY EXTENSIVE AND THE PUBLIC ORATORY WAS GRAND. THE EMPHASIS ON THE LONG-TERM APPROACH TO THE ECONOMIC RELATIONSHIP ECHOES THE JANATA GOVERNMENT'S POSITION THAT, AS VAJPAYEE SAID AT THE FORMAL BANQUET, INDO-SOVIET FRIENDSHIP WAS NOT BASED ON TRANSIENT CONSIDERATIONS.

12. NONETHELESS, THE FUNDAMENTAL WEAKNESS IN THE ECONOMIC RELATIONSHIP PERSISTS: THE INDIAN GOVERNMENT HAS RECOGNIZED THAT AT THIS STAGE IN INDIA'S DEVELOPMENT, THE GROWTH OF HEAVY
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INDUSTRY HAS OUTPASSED ECONOMIC NEED; IT HAS THEREFORE TURNED TO DEVISING MEANS OF PROVIDING ECONOMIC BENEFITS MORE DIRECTLY

TO ITS RURAL MASSES. IN THIS ENDEAVOR, OF THE HIGHEST POL-
ITICAL INTEREST TO THE DESAI GOVERNMENT, THE SOVIETS APPEAR
ABLE TO PLAY LITTLE IF ANY PART.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, INTELLIGENCE ASSESSMENTS, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE03850
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780108-0204
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780383/aaaacrtz.tel
Line Count: 336
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 41a3acc9-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3373480
Secure: OPEN
Status: NATIVE
Subject: INDO-SOVIET JOINT COMMISSION: A LARGE BASKET OF OLD BUSINESS BEGIN CONFIDENTIAL
TAGS: ETRD, EAID, UR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/41a3acc9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014